

**STATE OF CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
ARNOLD SCHWARZENEGGER, GOVERNOR**

**CALIFORNIA DEPARTMENT
OF ALCOHOL AND DRUG PROGRAMS**

**HIGHLIGHTS OF THE
GOVERNOR'S BUDGET
FISCAL YEAR 2008-09**

JANUARY 10, 2008

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
GOVERNOR'S BUDGET
Fiscal Year 2008-09
-HIGHLIGHTS-

TOTAL BUDGET

The Department of Alcohol and Drug Programs' (ADP) proposed budget for Fiscal Year (FY) 2008-09 is \$662.5 million. This represents a total decrease of \$17.4 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$679.9 million. Of the total \$662.5 million, \$606.2 million (91.5%) is for local governments and communities to provide treatment, recovery, and prevention services; and \$56.3 million (8.5%) is for State Support [Exhibit A].

POSITION SUMMARY

The proposed FY 2008-09 Governor's Budget includes 352.3 positions. This reflects the loss of 8.0 expiring limited-term positions and an ongoing reduction of 9.2 positions associated with the General Fund (GF) Budget-Balancing Reductions. These reductions are offset by Budget Change Proposal (BCP) requests totaling 6.0 new positions and the extension of 2.0 expiring positions. The BCP requests consist of 3.0 positions (1.0 one-year limited-term) to administer the Women's Treatment Services program, 2.0 permanent positions to administer Substance Abuse Prevention and Treatment (SAPT) Block Grant Requirements, the extension of 2.0 expiring positions and 2.0 new three-year limited-term positions to administer the California Access to Recovery Effort program, and the loss of 1.0 position associated with the Indian Health Clinic program being returned to DSS.

GENERAL FUND

ADP's proposed budget includes \$196.8 million (29.7% of the total proposed budget) in GF for ADP programs [Exhibit B]. This amount represents a 1.5 percent increase in ADP's GF as compared to the FY 2007-08 total GF Appropriation of \$193.8 million due to the Budget-Balancing Reductions and other budget changes. Of the \$196.8 million total proposed GF budget, \$180.9 million is for Local Assistance and \$15.9 million is for State Support [Exhibit C].

General Fund Budget-Balancing Reductions

The proposed budget includes a ten percent across-the-board Budget-Balancing Reduction for FY 2008-09 (\$28.1 million GF), as well as corresponding reductions in FY 2007-08 (\$6.5 million GF). The following are detailed descriptions of the reductions by program area:

- **\$10 million GF decrease** to the Substance Abuse and Crime Prevention Act (SACPA), including \$9.65 million in Local Assistance and \$357,000 (3.0 positions) in State Support. There is a corresponding reduction of \$3.3 million in FY 2007-08.
- **\$2 million GF decrease** to the Substance Abuse Offender Treatment Program, including \$1.97 million in Local Assistance and \$30,000 (0.4 positions) in State Support. There is a corresponding reduction of \$667,000 in FY 2007-08.
- **\$8.9 million GF decrease** in the Drug Medi-Cal (DMC) Program, including \$8.5 million in Local Assistance due to a ten percent reduction to the DMC developed rates as applied to the projected caseload for FY 2008-09, with a corresponding reduction of **\$8.1 million in federal** reimbursements from the Department of Health Care Services (DHCS). The State Support reductions include a decrease of \$776,000 (\$388,000 GF) and 5.3 positions. There is a corresponding State Support reduction of \$100,000 in FY 2007-08.
- **\$3.1 million GF decrease** to Drug Court Partnership Act, Comprehensive Drug Court Implementation Act, and Dependency Drug Court funding, including \$3.0 million in Local Assistance and \$110,000 (0.5 positions) in State Support. There is a corresponding reduction of \$1 million in FY 2007-08.
- **\$2.3 million GF decrease** to Non-DMC Perinatal services, with a corresponding reduction of \$782,000 in FY 2007-08.
- **\$733,000 GF decrease** to Non-DMC Regular services, including \$579,000 in Local Assistance and \$154,000 in State Support. There is a corresponding decrease of \$244,000 in FY 2007-08.
- **\$1 million GF decrease** to the California Methamphetamine Initiative, with a corresponding decrease of \$360,000 in FY 2007-08.
- **\$87,000 GF decrease** to HIPAA funding in State Support, with a corresponding decrease of **\$87,000** in federal reimbursements from DHCS.

The proposed GF budget, including other budget changes, is discussed in more detail below:

Parolee Services

The proposed budget includes an increase of \$25 million for Parolee Services in addition to the existing \$8.9 million exempted in the Budget-Balancing Reductions, which is passed through to the Department of Corrections and Rehabilitation's (CDCR). This increase in ADP's budget is offset by a corresponding GF reduction in CDCR's budget.

Non-DMC Regular Discretionary

The proposed GF budget includes \$6.5 million for Non-DMC Regular Discretionary Programs. This represents a total decrease of \$663,000 [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$7.2 million due to Budget-Balancing Reductions and other budget changes. Of the \$6.5 million, \$5.2 million is for Local Assistance and \$1.3 million is for State Support [Exhibit C].

Non-DMC Perinatal

The proposed Local Assistance budget includes \$21.1 million for Non-DMC Perinatal Programs [Exhibit C]. This represents a total decrease of \$2.3 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$23.4 million due to the Budget-Balancing Reductions. Of the funds for ADP's Perinatal Programs, \$5.8 million is proposed to fund existing residential perinatal treatment programs known as Women and Children's Residential Treatment Services.

Drug Court Partnership (DCP) Act Program

The proposed budget includes \$7.1 million for the DCP Act of 2002 in support of adult drug courts serving felons. This represents a total decrease of \$748,000 [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$7.8 million due to Budget-Balancing Reductions and other budget changes. Of this amount, \$6.8 million is for Local Assistance and \$264,000 is for State Support [Exhibit C].

Comprehensive Drug Court Implementation (CDCI) Act Program

The proposed budget includes \$16.2 million for CDCI in support of adult, juvenile, dependency, and family drug courts. This represents a total decrease of \$1.7 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$17.9 million due to Budget-Balancing Reductions and other budget changes. Of the total budget of \$16.2 million, \$15.7 million is for Local Assistance and \$523,000 is for State Support [Exhibit C].

Dependency Drug Court (DDC) Program

The proposed budget includes \$4.6 million in support of DDC, which serves cases with a substance abuse charge against a parent. This represents a total decrease of \$550,000 [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$5.1 million due to Budget-Balancing Reductions.

California Methamphetamine Initiative (CMI)

The proposed budget includes \$9 million for CMI activities. This represents a total decrease of \$1 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$10 million due to Budget-Balancing Reductions. These funds will be used to conduct a statewide prevention campaign to reduce methamphetamine use and implement a strategy for reaching targeted audiences using the media, community, and other public relation efforts.

Substance Abuse Offender Treatment Program (OTP)

The proposed budget includes \$18 million for OTP to improve treatment program outcomes for SACPA offenders. This represents a total decrease of \$2 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$20 million due to

Budget-Balancing Reductions and other budget changes. Of the \$18 million total budget for OTP, \$17.7 million is for Local Assistance and \$298,000 is for State Support.

SUBSTANCE ABUSE AND CRIME PREVENTION ACT (SACPA)

The proposed budget includes \$90.1 million for SACPA, which serves eligible nonviolent drug offenders in lieu of incarceration. This represents a total decrease of \$9.9 million [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$100 million due to Budget-Balancing Reductions and other budget changes. Of the total \$90.1 million, \$86.9 million is for Local Assistance and \$3.2 million is for State Support [Exhibit C].

DRUG MEDI-CAL (DMC) PROGRAM

The DMC program provides medically necessary substance abuse treatment services for eligible Medi-Cal beneficiaries. Services include outpatient drug free, narcotic replacement therapy, day care rehabilitative, Naltrexone, and residential services for pregnant and parenting women.

Based upon the DMC Fall Estimates for FY 2008-09 developed by ADP's Office of Applied Research and Analysis, the proposed Local Assistance budget reflects \$76.1 million in DMC GF (\$72 million Regular and \$4.1 million Perinatal) and \$72.7 million (\$68.6 million Regular and \$4.1 million Perinatal) in DMC federal financial participation (FFP) reimbursements from the Department of Health Care Services [Exhibit C]. Compared to the FY 2007-08 Budget Act, this represents a GF decrease of \$12.2 million and an FFP decrease of \$5.1 million due to an across the board ten percent rate reduction and projected caseload and unit of service changes.

The Federal Medi-Cal Assistance Percentage (FMAP) is the percentage used to determine the federal share of the Medi-Cal Program. For FY 2008-09, the FMAP continues to be 50 percent.

The proposed budget for State Support includes \$3.5 million in GF and \$3.5 million in FFP reimbursement for DMC program support [Exhibit C].

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

This proposed budget includes \$1.7 million (\$783,000 GF and \$916,000 Reimbursements) in State Support for HIPAA [Exhibit C] in support of HIPAA compliance activities. This represents a total decrease of \$143,000 [Exhibit D], as compared to the FY 2007-08 Budget Act Appropriation of \$1.8 million due to Budget-Balancing Reductions and other budget changes.

PROBLEM GAMBLING PREVENTION PROGRAM

The proposed budget includes \$3.7 million in State Support for problem gambling prevention activities. Of the total \$3.7 million, \$3.3 million will be derived from the Indian Gaming Special Distribution Fund [Exhibit C]. The proposed budget also includes a

Budget Change Proposal (BCP) requesting an increase of \$400,000 to expand research and prevention services for problem and pathological gamblers. Of the \$400,000, \$150,000 will be derived from the collection of fees from licensed card rooms to be deposited into the Gambling Addiction Program Fund. The remaining \$250,000 will be a reimbursement from the California State Lottery [Exhibit C].

LOCAL ASSISTANCE TRACKING AND ACCOUNTABILITY SYSTEM (LATAS)

The proposed budget includes a BCP requesting \$250,000 of one-time contract funds to conduct a baseline business analysis and feasibility study and develop a feasibility study report. The information will be used to determine how to re-engineer the business and supporting information technology system to track Local Assistance funding throughout ADP's entire business process, link cost information to client outcomes, and interface local assistance program level information with the Statewide Integrated Financial Information System for California (FI\$CAL).

WOMEN'S TREATMENT SERVICES

The proposed budget includes a BCP requesting an increase in position authority for 2.0 permanent and 1.0 one-year limited-term positions to enhance the alcohol and other drugs treatment system in California for women. These positions will be funded through the redirection of current federal SAPT Block Grant funds. A three-year demonstration project for women's comprehensive services will be conducted working with existing programs to evaluate identified best practices.

SUBSTANCE ABUSE SERVICES FOR INDIAN HEALTH CLINICS

The proposed budget includes a BCP requesting a decrease of 1.0 position and \$2.1 million in reimbursements [Exhibit D] due to the proposed transfer of responsibility for the Indian Health Clinic Program from ADP back to the Department of Social Services (DSS), which has primary funding responsibility for these services. DSS' budget has a corresponding increase for this request.

FEDERAL FUNDS

The proposed budget includes \$277.9 million in Federal Trust Funds, which represents approximately 41.9 percent of ADP's total proposed budget [Exhibit B].

Substance Abuse Prevention and Treatment (SAPT) Block Grant

The proposed budget includes \$260.7 million for the SAPT Block Grant [Exhibit C]. Of this \$260.7 million, \$2.0 million continues to be transferred to the Department of Health Services in compliance with the requirements established for the Sale of Tobacco to Minor Control Account. The remaining \$258.7 million SAPT Block Grant dollars consist of \$239.4 million for Local Assistance and \$19.3 million for State Support [Exhibit C]. This does not include any grant award changes due to the recently signed FFY 2008 Federal Appropriation.

The proposed budget includes a BCP requesting an increase in position authority for 2.0 permanent positions to be funded through the redirection of current federal SAPT Block Grant funds. These positions are necessary to address expanded planning and reporting requirements for the SAPT Block Grant.

SAPT Maintenance of Effort (MOE) Requirement

As a condition of receiving SAPT Block Grant funds, ADP must meet the MOE grant requirement, which requires ADP to maintain non-federal expenditures for substance abuse prevention and treatment services at a specific level. The MOE requirement is derived from a mathematical computation in which the current year's non-federal expenditures cannot be less than the average of those expenditures for the two preceding state fiscal years.

ADP's proposed budget includes \$303.4 million in non-federal expenditures, which is sufficient to meet the State's SAPT MOE requirement of \$301 million for FY 2008-09.

Substance Abuse Treatment and Testing Accountability (SATTA) Program

The proposed budget continues to include \$8.6 million in SAPT Block Grant funds for the SATTA Program. The SATTA Program provides funding for drug testing for clients treated under the Substance Abuse and Crime Prevention Act of 2000 and can also be used for any other purpose consistent with federal SAPT Block Grant requirements.

Safe and Drug Free Schools and Communities (SDFSC) Grant

The proposed budget includes \$10.3 million for the Safe and Drug Free Schools and Communities (SDFSC) Grant in support of reducing drug, alcohol, and tobacco use and violence through education and prevention activities. Of this amount, \$8.2 million is for Local Assistance and \$2.1 million is for State Support [Exhibit C]. This does not include any grant award changes due to the recently signed FFY 2008 Federal Appropriations.

Screening, Brief Intervention, Referral, and Treatment (SBIRT) Grant

The proposed budget continues to include \$3.5 million for the SBIRT Grant. The SBIRT Program provides alcohol and other drug (AOD) screening, brief intervention, referral, and treatment and extends the State's current continuum of care for AOD clients. The proposed budget includes \$3.4 million in Local Assistance, and \$76,000 in State Support [Exhibit C].

Access to Recovery (ATR) Grant

The proposed budget includes a BCP requesting the continuation of 2.0 expiring limited-term positions and the addition of 2.0 new three-year limited-term positions and a federal expenditure authority Planning Estimate Adjustment of \$4.8 million annually to maintain and expand the California Access to Recovery Effort (CARE) program, which provides youth treatment services in select counties. Of this \$4.8 million, \$930,000 will be for State Support and \$3.9 million will be for Local Assistance [Exhibit C].

Ecstasy and Other Club Drugs Grant

The proposed budget reflects a decrease of \$292,000 in federal funds due to the completion of the Ecstasy and Other Club Drugs Grant in April 2007 [Exhibit D].

MENTAL HEALTH SERVICES ACT (PROPOSITION 63)

The proposed budget includes \$507,000 from the Mental Health Services Fund in support of the Mental Health Services Act (Proposition 63) to support activities associated with developing collaborative mental health and AOD services [Exhibits C & D].

RESIDENTIAL AND OUTPATIENT PROGRAM LICENSING FUND

In FY 2007-08 ADP's statutory authority was expanded to include charging all licensed residential and certified providers and establishing the Residential and Outpatient Program Licensing Fund. The proposed FY 2008-09 budget includes \$1.9 million as compared to \$1.6 million in FY 2007-08.

WELFARE REFORM – CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

Substance abuse can limit or impair a CalWORKs participant's ability to make the transition from welfare to work, or retain long term employment. The budget for DSS includes \$50.244 million GF in FY 2008-09 for the provision of treatment and recovery services to CalWORKs recipients for whom substance abuse is a barrier to employment. This is an increase of \$1.976 million from the FY 2007-08 Appropriation, reflecting an increase in the cost per case. The CalWORKs GF for substance abuse will continue to be specifically identified in DSS' county allocation.

In addition to the allocation for Substance Abuse Services, counties receive an allocation for Mental Health Services for CalWORKs participants. These funds are provided for the treatment of mental or emotional difficulties that may limit or impair a CalWORKs participant's ability to make the transition from welfare to work or to retain employment. Counties have the flexibility to move funds between their Substance Abuse Services and Mental Health Services allocations to meet local needs. The DSS budget includes \$68.211 million GF for CalWORKs Mental Health Services for FY 2008-09. This is an increase of \$8.065 million from the 2007-08 Appropriation. This reflects an increase in caseload and the cost per case.

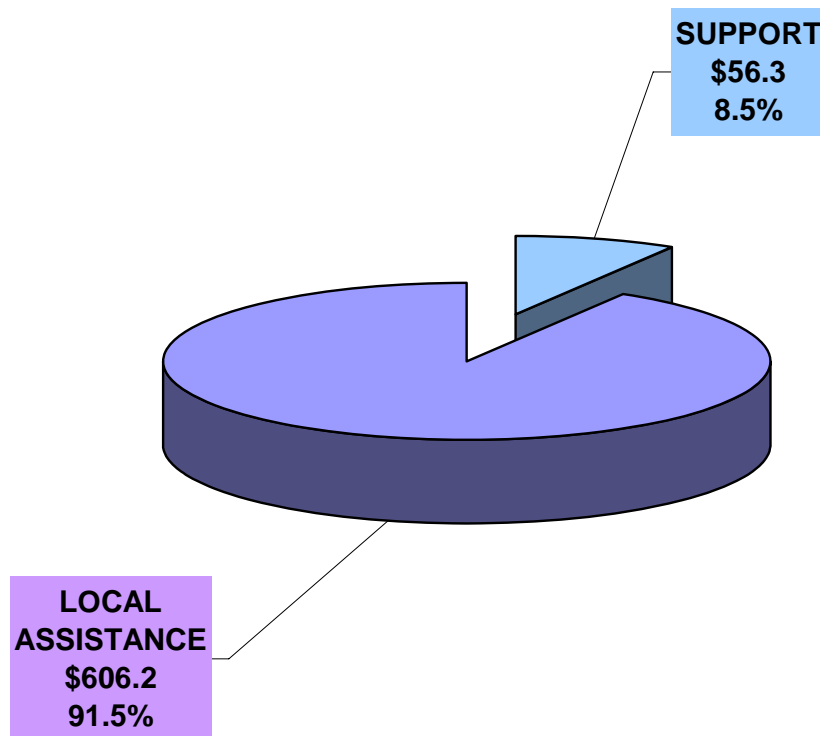
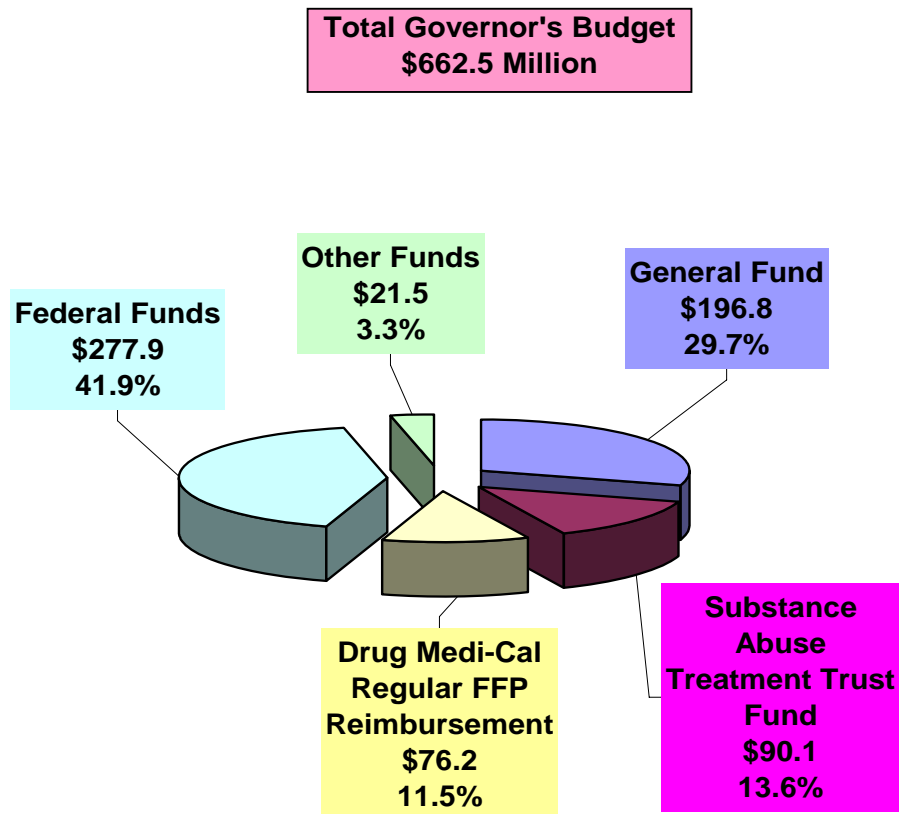
Exhibit A**Department of Alcohol and Drug Programs
Governor's Budget
Fiscal Year 2008-09****Budget by Category**
(\$ In Millions)**Total Governor's Budget
\$662.5 Million**

Exhibit B

**Department of Alcohol and Drug Programs
Governor's Budget
Fiscal Year 2008-09**

Budget by Fund Source
(\$ In Millions)



* "OTHER FUNDS" INCLUDES: DRIVING-UNDER-THE-INFLUENCE LICENSING TRUST FUND, NARCOTIC TREATMENT PROGRAM LICENSING TRUST FUND, AUDIT REPAYMENT TRUST FUND, INDIAN GAMING SPECIAL DISTRIBUTION FUND, MENTAL HEALTH SERVICES FUND, RESIDENTIAL OUTPATIENT PROGRAM LICENSING FUND, RESIDENT-RUN HOUSING REVOLVING FUND, THE DEPARTMENT OF SOCIAL SERVICES REIMBURSEMENT CONTRACT, THE DEPARTMENT OF CORRECTIONS AND REHABILITATION REIMBURSEMENT CONTRACT, AND OTHER MISCELLANEOUS REIMBURSEMENT AUTHORITY.

EXHIBIT C
DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
FY 2008-09 Governor's Budget

(\$ IN THOUSANDS)

FUNDING SOURCE	CATEGORY		TOTAL BUDGETED EXPENDITURES	% of TOTAL EXPENDITURES
	SUPPORT	LOCAL ASSISTANCE		
General Fund	\$15,909	\$180,915	\$196,824	29.71%
Non-Drug Medi-Cal Regular	\$1,337	\$5,189	\$6,526	0.98%
Non-Drug Medi-Cal Perinatal	\$0	\$21,111	\$21,111	3.19%
Drug Court Partnership Act	\$264	\$6,840	\$7,104	1.07%
Comprehensive Drug Court Implementation Act	\$523	\$15,691	\$16,214	2.45%
Dependency Drug Court	\$230	\$4,320	\$4,550	0.69%
Parolee Services	\$0	\$33,900	\$33,900	5.12%
Methamphetamine Prevention Campaign	\$9,000	\$0	\$9,000	1.36%
Substance Abuse Offender Treatment Program	\$298	\$17,725	\$18,023	2.72%
Drug Medi-Cal Regular	\$3,269	\$71,991	\$75,260	11.36%
Drug Medi-Cal Perinatal	\$205	\$4,148	\$4,353	0.65%
HIPAA	\$783	\$0	\$783	0.12%
Substance Abuse Treatment Trust Fund (Prop 36)	\$3,208	\$86,863	\$90,071	13.60%
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,519	\$0	\$1,519	0.23%
Narcotic Treatment Program Licensing Trust Fund	\$1,352	\$0	\$1,352	0.20%
Indian Gaming Special Distribution Fund	\$3,281	\$0	\$3,281	0.50%
Audit Repayment Trust Fund	\$70	\$0	\$70	0.01%
Mental Health Services Fund (Prop 63)	\$507	\$0	\$507	0.08%
Gambling Addiction Program Fund	\$150	\$0	\$150	0.02%
Residential and Outpatient Program Licensing Fund	\$1,865	\$0	\$1,865	0.28%
Federal Trust Fund	\$23,010	\$254,887	\$277,897	41.94%
Substance Abuse Block Grant	\$21,325	\$239,388	\$260,713	39.34%
Sale of Tobacco to Minors Control Account (SAPT)	-\$2,000	\$0	-\$2,000	-0.30%
Safe and Drug Free School	\$2,158	\$8,156	\$10,314	1.56%
Uniform Data Systems	\$321	\$0	\$321	0.05%
Access to Recovery Grant	\$930	\$3,900	\$4,830	0.73%
SBIRT Grant	\$76	\$3,443	\$3,519	0.53%
State Epidemiological Outcomes Workgroup (SEOW)	\$200	\$0	\$200	0.03%
Resident Run Housing Revolving Fund	\$0	-\$3	-\$3	0.00%
Reimbursements	\$5,419	\$83,561	\$88,980	13.43%
DSS: Substance Abuse Svs. For Indian Health Clinics	\$0	\$0	\$0	0.00%
Drug Medi-Cal Regular	\$3,269	\$68,606	\$71,875	10.85%
Drug Medi-Cal Perinatal	\$205	\$4,148	\$4,353	0.65%
HIPAA	\$916	\$0	\$916	0.14%
CDC: Parolee Services Network	\$495	\$10,707	\$11,202	1.69%
Lottery	\$250	\$0	\$250	0.04%
Other	\$284	\$100	\$384	0.06%
TOTALS	\$56,290	\$606,223	\$662,513	100.00%

EXHIBIT D
Department of Alcohol and Drug Programs
Comparison
FY 2007-08 vs. FY 2008-09
(\$ IN THOUSANDS)

FUNDING SOURCE	FY 2007-08 BUDGET ACT	FY 2008-09 GOVERNOR'S BUDGET	DIFFERENCE
General Fund	\$193,771	\$196,824	\$3,053
Non-Drug Medi-Cal Regular	\$7,189	\$6,526	-\$663
Non-Drug Medi-Cal Perinatal	\$23,457	\$21,111	-\$2,346
Drug Court Partnership Act	\$7,852	\$7,104	-\$748
Comprehensive Drug Court Implementation Act	\$17,958	\$16,214	-\$1,744
Dependency Drug Court	\$5,100	\$4,550	-\$550
Parolee Services	\$8,900	\$33,900	\$25,000
Methamphetamine Prevention Campaign	\$10,000	\$9,000	-\$1,000
Substance Abuse Offender Treatment Program	\$20,000	\$18,023	-\$1,977
Drug Medi-Cal Regular	\$87,173	\$75,260	-\$11,913
Drug Medi-Cal Perinatal	\$5,286	\$4,353	-\$933
HIPAA	\$856	\$783	-\$73
Substance Abuse Treatment Trust Fund (Prop 36)	\$100,000	\$90,071	-\$9,929
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,498	\$1,519	\$21
Narcotic Treatment Program Licensing Trust Fund	\$1,330	\$1,352	\$22
Indian Gaming Special Distribution Fund	\$3,259	\$3,281	\$22
Audit Repayment Trust Fund	\$70	\$70	\$0
Mental Health Services Fund (Prop 63)	\$510	\$507	-\$3
Gambling Addiction Program Fund	\$0	\$150	\$150
Residential and Outpatient Program Licensing Fund	\$1,596	\$1,865	\$269
Federal Trust Fund	\$280,441	\$277,897	-\$2,544
Substance Abuse Block Grant	\$260,218	\$260,713	\$495
Sale of Tobacco to Minors Control Account (SAPT)	-\$2,000	-\$2,000	\$0
Safe and Drug Free School	\$10,299	\$10,314	\$15
Uniform Data Systems	\$321	\$321	\$0
Access to Recovery Grant	\$7,592	\$4,830	-\$2,762
Ecstasy Grant	\$292	\$0	-\$292
SBIRT Grant	\$3,519	\$3,519	\$0
State Epidemiological Outcomes Workgroup (SEOW)	\$200	\$200	\$0
Resident Run Housing Revolving Fund	\$39	-\$3	-\$42
Reimbursements	\$97,434	\$88,980	-\$8,454
DSS: Substance Abuse Svs. For Indian Health Clinics	\$2,100	\$0	-\$2,100
DHS: Drug Medi-Cal Regular	\$76,639	\$71,875	-\$4,764
DHS: Drug Medi-Cal Perinatal	\$5,286	\$4,353	-\$933
DHS: HIPAA	\$986	\$916	-\$70
CDC: Parolee Services Network	\$11,194	\$11,202	\$8
Lottery	\$0	\$250	\$250
Other	\$1,229	\$384	-\$845
TOTALS	\$679,948	\$662,513	-\$17,435